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BELGIUM STANDARD LIMITED
ANNUAL REPORT 1969

BELGIUM STANDARD LIMITED

FINANCIAL REVIEW

	1969	1968	1967	1966	1965
Earnings after income taxes	\$ 58,958	\$ 6,069	\$ 64,565	\$119,237	\$ 74,245
Earnings after dividends on preferred shares	44,993	(8,029)	50,142	104,634	59,560
Earnings per common share	.85	(.15)	1.00	2.09	1.19
Dividends per common share	Nil	Nil	0.55	0.50	Nil
Net worth (common shareholders equity)	732,236	677,113	663,125	640,463	559,131
Book value per common share	13.81	13.02	13.26	12.80	11.18
Return on shareholders equity	6.6%	(1.2%)	7.8%	18.7%	11.9%
Working capital	485,658	\$490,249	\$551,656	\$560,308	\$568,237
Working capital ratio	1.5 to 1	1.7 to 1	2.1 to 1	3.7 to 1	6.2 to 1

Common shares outstanding — 53,000 in 1969, 52,000 in 1968 and 50,000 in prior years.

BELGIUM STANDARD LIMITED

ANNUAL REPORT 1969

Head Office

401 Bay Street
Toronto 1, Ontario

Board of Directors

George H. Beeston	Toronto, Ontario
Leslie M. Bull	Hamilton, Ontario
Harold H. Davis	Toronto, Ontario
Ralph C. C. Henson	Toronto, Ontario
George M. Hobart	Montreal, Quebec

Officers

Harold H. Davis	President and Treasurer
Ralph C. C. Henson	Vice President
Ernest A. DuVernet, Q.C.	Secretary
Edward R. Norman, C.A.	Comptroller

Counsel

DuVernet, Carruthers, Beard and Eastman
Toronto, Ontario

Auditors

Campbell, Sharp, Nash and Field
Toronto, Ontario

Transfer Agent and Registrar

Canada Permanent Trust Company
Montreal, Quebec

Bankers

The Toronto-Dominion Bank

Shares Listed

Canadian Stock Exchange

BELGIUM STANDARD LIMITED

PRESIDENT'S REPORT TO SHAREHOLDERS

ANNUAL REPORT 1969

Operating Results

The consolidated net income of Belgium Standard Limited and its wholly owned subsidiary, Waco General Industries Limited for the year ended December 31, 1969 was \$58,958 as compared to \$6,069 in 1968. After providing for the usual preferred dividends, earnings per common share were 85¢ as compared to a 15¢ loss in 1968.

These earnings were employed to reduce the long term debt and to further the production capabilities of the company. Higher sales volume resulted in increased receivable and inventory levels, but with only nominal change in working capital. The sales increase of over 25% to \$3,863,611 is attributable to good market response to new products introduced in 1969 and to better market penetration for all product lines.

Anti-Pollution Equipment

Air pollution is a major public concern today. Incineration of refuse in high rise developments is inefficient and costly as well as contributing greatly to the pollution problem. The volume of refuse has doubled in the last thirty years and can be expected to double again in the next thirty years. To eliminate inefficient on-site incineration, we produce equipment to compact the refuse for removal; to attempt to transfer refuse without compaction would not economically be feasible. Two types of compaction equipment manufactured by Waco General Industries Limited are the Pac-King stationery refuse compactor and the Shu-Pak refuse removal vehicle. Under consideration are disposal systems based upon central collection stations.

Pac-King Stationery Refuse Compactor

During the latter part of the year Pac-Kings were placed in apartment buildings, drive-in restaurants and supermarkets. Additional applications would include installation in hospitals, hotels and in virtually any industrial or commercial establishment.

The range of machine sizes is being extended and marketing and production being developed based on the excellent market acceptance to date. A similar program, including the incorporation of a U.S. company, is being developed for the American market; substantial promotional work has been done there, including representation at several important trade shows.

The machine is competitively attractive because of its high reliability factor coupled with its low maintenance costs. This type of equipment will be an important factor in the growth of the company.

Shu-Pak Refuse Removal Vehicle

The company is the exclusive Canadian licensee for the Shu-Pak refuse packer. This type of vehicle is reported upon very favourably in an extensive study prepared for the U.S. Government Bureau of Solid Waste Management. Technical improvements and stronger marketing efforts resulted in increased sales in 1969 and are expected to result in further increases in 1970.

Material Handling

Sales of the Rolmaster Conveyor line increased more than 25% over 1968; while a small loss was incurred the improved production facilities and methods should result in profitable operations in 1970. As well we anticipate integration of the Rolmaster and Pac-King product lines to create a solid waste disposal systems product line.

Aluminum grain and dump body sales increased over 1968 and orders on hand in early 1970 indicate a higher volume for the coming year. The grain body with its longitudinal sill continues to be an important product line.

A contract for a small number of defence vehicle prototypes was completed during the year and the company anticipates that this experience will stand it in good stead in the future.

Metal Stampings

During the year additional automatic coil feed equipment and a large press were installed to increase the stamping range and capacity. A portion of the stamping production is used in the conveyor manufacturing providing Rolmaster with a competitive advantage.

Industrial Automotive Sales and Service

The location in Hamilton, with its Thorold branch, continued its stable progress, maintaining sales and profits substantially unaffected by the strike in mid year. It continued to serve a wide range of industrial and fleet accounts and to search for additional locations and product lines to strengthen its position as one of the leading automotive engine rebuilders in the province. The Waco Automotive Pumps product line had a gratifying sales increase in 1969, and expects a further increase in 1970.

1970 Expectations

In 1970 the growth and development of the company is expected to continue, as it has since the program of acquisition and expansion started in 1964. We are constantly exploring avenues to improve and build upon our present operations. Compaction equipment, which was principally brought to market in the latter part of 1969, is expected to contribute in a much larger capacity to 1970 earnings. To place the company in the best position to ensure its future growth, we are asking the shareholders to approve a 2 for 1 stock split and to then increase the authorized common share capital. This change should permit a larger number of shareholders to more readily participate in the equity of the company.

Your management gratefully acknowledges the contribution of its many employees to the success of this year.

Submitted on behalf of the Board

H. H. Davis, President

BELGIUM STANDARD LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY
WACO GENERAL INDUSTRIES LIMITED

Consolidated Balance Sheet

December 31, 1969

ASSETS		Comparative 1968
Current		
Cash	\$ 32,465	\$ 117,512
Accounts receivable	641,309	413,355
Inventories — at the lower of cost and market	731,919	616,310
Notes receivable	—	24,644
Other current assets	14,756	24,844
	<u>1,420,449</u>	<u>1,196,665</u>
Fixed (note 1)		
Real estate, machinery, equipment and leasehold improvements at cost less accumulated depreciation of \$484,904 (1968 — \$452,889)	363,706	339,244
Excess of Cost of Investment in Subsidiary Company over net tangible assets at dates of acquisition	383,240	383,020
	<u>\$2,167,395</u>	<u>\$1,918,929</u>

On behalf of the Board

H. H. Davis, Director

R. C. C. Henson, Director

LIABILITIES

		Comparative 1968
Current		
Bank advances — secured	\$ 419,550	\$ 310,000
Accounts payable and accrued liabilities	452,612	288,888
Income taxes payable	28,109	19,708
Current term portion of long term debt	34,520	87,820
	<u>934,791</u>	<u>706,416</u>
Long Term Debt (note 2)	221,068	255,600
	<u>1,155,859</u>	<u>962,016</u>
Shareholders' Equity (note 3)		
Capital Stock		
Authorized		
25,000 preferred shares — 5% cumulative, redeemable par value \$20 each (of which 2,285 shares have been redeemed or purchased for cancellation)		
100,000 common shares of no par value		
Issued and fully paid		
13,965 preferred shares (1968 — 13,990 shares)	279,300	279,800
53,000 common shares (1968 — 52,000 shares)	55,000	45,000
	<u>334,300</u>	<u>324,800</u>
Surplus	677,236	632,113
	<u>1,011,536</u>	<u>956,913</u>
	<u>\$2,167,395</u>	<u>\$1,918,929</u>

Auditors' Report

To the Shareholders of Belgium Standard Limited

We have examined the consolidated balance sheet of Belgium Standard Limited and its wholly-owned subsidiary, Waco General Industries Limited as at December 31, 1969 and the consolidated statements of income, surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we consider necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 25, 1970.

Campbell, Sharp, Nash & Field,
Chartered Accountants.

BELGIUM STANDARD LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY
WACO GENERAL INDUSTRIES LIMITED

Consolidated Statement of Income

for the year ended December 31, 1969

		Comparative 1968
Sales	<u>\$3,863,611</u>	<u>\$3,057,600</u>
Costs and Expenses		
Cost of sales, selling and administrative expenses	3,659,151	2,898,420
Depreciation and amortization	64,293	48,694
Directors' fees and remuneration as officers	<u>33,400</u>	<u>49,750</u>
	<u>3,756,844</u>	<u>2,996,864</u>
	<u>106,767</u>	<u>60,736</u>
Other Expense (Income)		
Interest on long-term debt	18,809	22,317
Investment income	<u>—</u>	<u>(7,577)</u>
	<u>18,809</u>	<u>14,740</u>
Income before income taxes	87,958	45,996
Provision for income taxes (note 4)	<u>29,000</u>	<u>39,927</u>
Net Income for the year	<u><u>58,958</u></u>	<u><u>6,069</u></u>

**BELGIUM STANDARD LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY
WACO GENERAL INDUSTRIES LIMITED**

Notes to Consolidated Financial Statements

December 31, 1969

1. Fixed assets comprise the following:

	Cost	Accumulated Depreciation	Net	Comparative 1968
Real estate	\$212,674	\$ 54,865	\$157,809	\$158,503
Equipment	635,936	430,039	205,897	180,741
	<u>\$848,610</u>	<u>\$484,904</u>	<u>\$363,706</u>	<u>\$339,244</u>

Basic annual rental payments on leased premises will approximate \$50,000 in each of the next five years. An option for the purchase of real estate in the amount of \$200,000 exists with respect to certain of the leased premises.

2. Long term debt consists of the following:

	Current Portion	Long-Term Portion
7% chattel mortgage, payable \$17,500 on January 15 in each of the years 1970 to 1976	\$17,500	\$105,000
6% mortgage due December 31, 1973 payable \$13,500 in each of the years 1970 to 1972 and \$54,000 in 1973	13,500	81,000
7¾% mortgage due December 1, 1992 payable in blended monthly payments of \$225 for principal and interest	420	28,868
7% note due November 10, 1972 payable \$3,100 in each of the years 1970 to 1972	3,100	6,200
	<u>\$34,520</u>	<u>\$221,068</u>

3. 7,000 common shares are reserved for issue under an employees' stock incentive option plan. As at December 31, 1969 options for 2,000 of such shares have been specifically granted at \$10 per share exercisable, 1,000 shares in the year ended April 30, 1970 and 500 shares in each of the years ended April 30, 1971 and 1972. During 1969 options for 1,000 shares were exercised at \$10 per share.

The directors of the company will present to the Shareholders at a special general Shareholders meeting on April 7th, 1970 a proposal to sub divide the present authorized and outstanding common stock on a 2 for 1 basis and to increase the then authorized capital common stock of 200,000 shares to 500,000 shares.

During the year 25 preferred shares with a par value of \$500 were purchased for cancellation. Surplus includes an aggregate amount of \$45,700 designated as capital surplus as required under Section 61 of the Canada Corporations Act equal to the par value of the preferred shares redeemed or purchased for cancellation to date.

4. Income taxes otherwise payable have been reduced by approximately \$9,000, due to the application of the 1968 loss carry forward.

BELGIUM STANDARD LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY
WACO GENERAL INDUSTRIES LIMITED

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1969

		Comparative 1968
Funds derived from:		
Operations		
Net income for the year	\$ 58,958	\$ 6,069
Depreciation and amortization	64,293	48,694
	<u>123,251</u>	<u>54,763</u>
Issue of common shares	10,000	20,000
Realization of cash surrender value of life insurance	—	29,405
	<u>133,251</u>	<u>104,168</u>
Were applied to:		
Additions to fixed assets — net	88,755	109,973
Decrease in long-term debt	34,532	27,400
Increase in acquisition goodwill	220	7,521
Purchase of preferred shares for cancellation	370	6,583
Dividends	13,965	14,098
	<u>137,842</u>	<u>165,575</u>
Decrease in working capital	4,591	61,407
Working Capital, beginning of year	490,249	551,656
Working Capital, end of year	<u>\$485,658</u>	<u>\$490,249</u>

Consolidated Statement of Surplus

for the year ended December 31, 1969

		Comparative 1968
Surplus, beginning of year	\$632,113	\$638,125
Net income for the year	58,958	6,069
Discount on Preferred Shares		
purchased for cancellation	130	2,017
	<u>691,201</u>	<u>646,211</u>
Dividends — preferred shares	13,965	14,098
Surplus, end of year	<u>\$677,236</u>	<u>\$632,113</u>

WACO GENERAL INDUSTRIES LIMITED

PRINCIPAL ONTARIO PLANT AND SALES OFFICE LOCATIONS

HAMILTON: 516 Parkdale Avenue N.

STRATFORD: 684 Ontario Street

WATERLOO: 35 University Avenue E.

